

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Hayes Township	County Clare
Fiscal Year End 06/30/06	Opinion Date 09/28/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

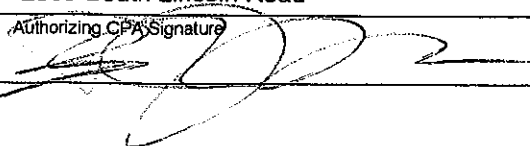
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). CASH BASIS
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Page, Olson & Company P.C., CPA's		Telephone Number (989) 773-5494	
Street Address 2865 South Lincoln Road		City Mt. Pleasant	State MI
Zip 48858			
Authorizing CPA Signature 		Printed Name Bobbie Jo Marr, CPA, CGFM	License Number 1101026172

HAYES TOWNSHIP, CLARE COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2006

HAYES TOWNSHIP, CLARE COUNTY
YEAR ENDED JUNE 30, 2006

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**HAYES TOWNSHIP, CLARE COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED JUNE 30, 2006**

SUPERVISOR

John Scherrer

CLERK

Kevin Breese

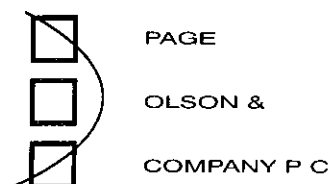
TREASURER

Elizabeth Wilson

TRUSTEES

Robert Hale

Lee Dancer



INDEPENDENT AUDITORS' REPORT

September 28, 2006

Township Board
Township of Hayes
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of June 30, 2006, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1-C.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 8 and 25 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Township of Hayes
Clare County, Michigan

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Hayes basic financial statements. The financial information identified in the table of contents as Other Supplemental Information and included in the report is reported for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hayes. Such information relative to June 30, 2006 and for the year then ended, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1-C. Such information relative to June 30, 2005 and for the year then ended was subjected to auditing procedures applied in the audit of the general purpose financial statements for the year ended June 30, 2005 and is presented here for comparison purposes only.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

The Township received a grant from the State of Michigan for the funding of the Township outdoor sports complex. The grant monies received totalled approximately \$197,267.

General Fund fund balance decreased by \$289,636.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction of the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as cash is either collected or paid as is consistent with the cash basis of accounting employed by the Township.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health & welfare, recreation & culture, and Debt Service. The Township does not currently have any business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The Township maintains 8 individual governmental funds 5 of which are considered to be major funds. Information is presented separately in the governmental fund statement of assets and liabilities arising from cash transactions and in the governmental fund statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the all 8 governmental funds.

The Township adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements have been provided in the supplemental section of the report to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. Currently the Township has 2 funds that are agency type funds.

The basic fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information showing combining statements for the Township's non-major capital project funds. Also a schedule is presented in connection with general fixed asset, which are not reported on the statement of net assets as is consistent with the cash basis of accounting. Additionally, detailed information on the General Funds expenditures by object account is also presented as other supplemental information. These schedules can be found on pages 31 through 41 of this report.

Government-wide Financial Analysis

The following table shows, in condensed format, the net assets of the Township as of June 30, 2006.

	<u>2006</u>	<u>2005</u>
Total Assets	\$ 247,766	\$ 731,426
Total Liabilities	280	4,310
Net Assets		
Restricted for Debt Service	23,190	36,390
Unrestricted	<u>224,296</u>	<u>690,726</u>
Total Net Assets	<u>\$ 247,486</u>	<u>\$ 727,116</u>

The Township's total net assets were \$247,486 at June 30, 2006. Of that balance, \$23,190 was restricted to pay up coming Note payments and \$221,580 was available for general operations.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

The following table shows the changes in net assets during the year ended June 30, 2006.

Revenue	<u>2006</u>	<u>2005</u>
Program Revenue		
Charges for Services	\$ 285,672	\$ 299,752
Operating Grants/Contributions	1,233	835
Capital Grants/ Contributions	197,267	-
General Revenue		
Property Taxes	329,856	323,418
Revenue Sharing	371,408	364,527
Interest and Dividends	22,728	16,419
Other	<u>1,132</u>	<u>1,719</u>
Total Revenue	1,209,296	1,006,670
Program Expenses		
Legislative	32,682	15,223
General Government	251,934	255,400
Public Safety	108,819	82,651
Public Works	522,908	599,603
Recreation and Culture	588,480	97,944
Highways and Streets	43,500	40,239
Other Functions	94,664	93,221
Debt Service	<u>45,939</u>	<u>22,970</u>
Total Program Expenses	<u>1,688,926</u>	<u>1,207,251</u>
Changes in Net Assets	<u>\$(479,630)</u>	<u>\$(200,581)</u>

As reported in the statement of activities, the cost of the Township's governmental activities this year was \$1,688,926. Certain activities were partially funded from those who benefited from the programs through charges for services (\$285,672), operating grants and contributions (\$1,233), and capital grants and contributions (\$197,267). The balance of the expenses were paid for with taxes (\$329,856), state shared revenue (\$371,408), and other revenues such as interest along with pulling from past surplus's (net assets of \$482,346).

Governmental Fund Financial Analysis

The governmental funds reported a combined fund balance of \$247,486, which is a decrease of \$479,630 from last year. The General Fund experienced a decrease of \$289,636. The primary change in expenditures from the prior year was an increase in public safety as a result of the constable contract with Clare County Sheriff as well as operating transfers out to other funds for the Recreation Development Program. The General Fund revenue remained fairly constant with the prior year.

The Township Improvement Special Revenue Fund experienced a decrease in fund balance of \$93,846. This was due to an operating transfer out to the Recreation Development Capital Project Fund.

The balance of the governmental funds had fairly insignificant changes in fund balance.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2006**

General Fund Budgetary Highlights

The Township's General Fund is used to manage the revenue and expenditures not otherwise appropriated for specific purposes. Budgeted amounts are estimated each year and based on prior year's figures, contracts in house at the time of budget workshops, a review of past history and potential future purchases deemed necessary.

The most significant difference in the General Fund budgeted expenditures and the ending actual expenditures was primarily due to money being budgeted for certain items that may or may not have been used (wages not needed for maintenance, per diem not used by commissions, supplies not needed, etc.). This has been corrected in the 06-07 budget as we will amend the budget items as needed in order to come closer to actual monies spent.

Capital Asset and Debt Administration

As discussed earlier, the Township uses the cash basis of accounting therefore recognizing expenditures only when payments are made. Therefore all capital assets are expensed at the time they are paid for and not reported as assets on the statement of the net assets.

The Township has 2 Notes Payable with the Clare County Road Commission. The debt is serviced by special assessments levied against property owners within the special assessment district. Annual payments of \$22,969 are expensed as they are paid. The outstanding principal balance at June 30, 2006 was \$39,760, but is not shown as a liability since the cash basis of accounting is used.

Contacting the Township's Management

The financial report is designed to provide the Township's citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

**HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
YEAR ENDED JUNE 30, 2006**

	Statement I
	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Investments	<u>\$ 247,766</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Governments	\$ 280
<u>NET ASSETS</u>	
Restricted for Debt Service	23,190
Unrestricted	<u>224,296</u>
Total Net Assets	<u>247,486</u>
Total Liabilities and Net Assets	<u>\$ 247,766</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED JUNE 30, 2006

Statement II

	<u>Program Revenues</u>				Governmental Activities
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Assets
Functions / Programs					
Primary Government:					
Governmental Activities					
Legislative	\$ 32,682	\$ -	\$ -	\$ -	\$ (32,682)
General Government	251,934	7,494	1,233	-	(243,207)
Public Safety	108,819	3,125	-	-	(105,694)
Public Works	522,908	234,980	-	-	(287,928)
Recreation and Culture	588,480	13,945	-	197,267	(377,268)
Highways and Streets	43,500	-	-	-	(43,500)
Other Functions	94,664	-	-	-	(94,664)
Debt Service	45,939	26,128	-	-	(19,811)
Total Governmental Activities	1,688,926	285,672	1,233	197,267	(1,204,754)
General Revenues:					
Property Taxes					329,856
Revenue Sharing					371,408
Interest and Dividends					22,728
Other					<u>1,132</u>
Total General Revenues					<u>725,124</u>
Changes in Net Assets					(479,630)
Net Assets - July 1					<u>727,116</u>
Net Assets - June 30					<u>\$ 247,486</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	Municipal Street Fund	Rubbish Fund	Gypsy Moth Fund	Recreation Capital Project Fund	Non Major Funds	Statement III Total
<u>ASSETS</u>							
Cash and Investments	\$ 79,835	\$ 141,500	\$ -	\$ 26,431	\$ -	\$ -	\$ 247,766
<u>LIABILITIES AND FUND EQUITY</u>							
<u>LIABILITIES</u>							
Due to Other Governments	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 280
<u>FUND EQUITY</u>							
Fund Balance:							
Reserved for Capital Projects	-	-	-	-	-	-	-
Reserved for Debt Service	23,190	-	-	-	-	-	23,190
Unreserved - Undesignated	56,365	141,500	-	26,431	-	-	224,296
Total Fund Equity	79,555	141,500	-	26,431	-	-	247,486
Total Liabilities and Fund Equity	\$ 79,835	\$ 141,500	\$ -	\$ 26,431	\$ -	\$ -	\$ 247,766

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID AND
CHANGES IN CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

Statement IV

	General Fund	Municipal Street Fund	Rubbish Fund	Gypsy Moth Fund	Recreation Capital Project Fund	Non Major Funds	Total
REVENUE COLLECTED							
Taxes	\$ 70,537	\$ 69,974	\$ -	\$ 145,529	\$ -	\$ -	\$ 286,040
Administrative Fee on Property Tax Collections	29,186	-	-	-	-	-	29,186
Summer Tax Reimbursement	14,630	-	-	-	-	-	14,630
Special Assessments	26,127	-	181,461	-	-	-	207,588
Licenses and Permits	3,125	-	-	-	-	-	3,125
Intergovernmental Revenue	371,408	-	-	-	197,267	-	568,675
Charges for Services	6,915	-	-	-	-	-	6,915
Interest and Dividend Earnings	22,728	-	-	-	-	-	22,728
Rents and Royalties	68,044	-	-	-	-	-	68,044
Donations - Private Sources	1,233	-	-	-	-	-	1,233
Other	1,132	-	-	-	-	-	1,132
TOTAL REVENUE COLLECTED	615,065	69,974	181,461	145,529	197,267	-	1,209,296
EXPENDITURES PAID							
Legislative	32,682	-	-	-	-	-	32,682
General Government	251,934	-	-	-	-	-	251,934
Public Safety	108,819	-	-	-	-	-	108,819
Public Works	162,142	-	220,816	139,950	-	-	522,908
Recreation and Culture	88,810	-	-	-	444,388	55,282	588,480
Highways and Streets	-	43,500	-	-	-	-	43,500
Other Functions	94,664	-	-	-	-	-	94,664
Debt Service	45,939	-	-	-	-	-	45,939
TOTAL EXPENDITURES PAID	784,990	43,500	220,816	139,950	444,388	55,282	1,688,926
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	(169,925)	26,474	(39,355)	5,579	(247,121)	(55,282)	(479,630)
OTHER FINANCING SOURCES (USES)							
Operating Transfer Out to Other Funds	(119,711)	(86,033)	-	-	-	(93,846)	(299,590)
Operating Transfer In from Other Funds	-	-	39,355	-	247,121	13,114	299,590
TOTAL OTHER FINANCING SOURCES (USES)	(119,711)	(86,033)	39,355	-	247,121	(80,732)	-
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(289,636)	(59,559)	-	5,579	-	(136,014)	(479,630)
CASH BASIS FUND BALANCE - JULY 1	369,191	201,059	-	20,852	-	136,014	727,116
CASH BASIS FUND BALANCE - JUNE 30	\$ 79,555	\$ 141,500	\$ -	\$ 26,431	\$ -	\$ -	\$ 247,486

The accompanying notes are an integral part of the financial statements.

**HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2006**

	Statement V Lake Improvement Fund
<u>ASSETS</u>	
Cash in Checking	<u>\$ 34,587</u>
<u>LIABILITIES</u>	
Due to General Fund	\$ -
Due to Sutherland Lake Association	17,395
Due to Little Long Lake Association	16,658
Due to Cranberry Lake Association	<u>534</u>
TOTAL LIABILITIES	<u>\$ 34,587</u>

The accompanying notes are an integral part of the financial statements.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayes Township is a regular law Michigan Township with a population in excess of 4,000 people. The Township is governed by a five-member board of officials, elected by the Township electorate.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set for by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding the operational and financial relationship with the Township. Based upon the application of this criteria, we found no other units that should be classified as component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on the fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported on the cash basis of accounting. Revenues are recorded only when collected and expenditures are recorded only when paid.

The governmental fund financial statements are also reported on the cash basis of accounting and therefore revenues are recorded only when collected and expenditures are recorded only when paid.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for street projects for which the Township shares a portion of the costs.

The Rubbish Fund is a Special Revenue Fund that receives special assessments used to pay for trash removal activities.

The Gypsy Moth Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for the spraying for gypsy moths.

The Recreation Capital Project Fund is used to account for the construction of the Township's park improvements.

Additionally, the Township reports the following fund types:

Agency funds are used to account for assets held by the Township acting as an agent for individuals, private organizations, other governments, or funds. These funds are custodial in nature and do not involve measurement of the results of operation.

D. CASH AND INVESTMENTS

The General, Municipal Street, Gypsy Moth, Rubbish, Township Improvement, and Lake Improvement Funds of Hayes Township share in the Business Indexed Checking held at a local financial institution. It is possible, therefore, that at certain times during the fiscal year some Funds may have negative account balances. This represents a type of temporary interfund borrowing rather than being indicative of cash overdrafts.

E. FIXED ASSETS

Fixed Asset purchases are recorded as capital outlay expenditures in the General and Special Revenue Funds at the time of purchase.

F. LONG-TERM DEBT

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources when received and payment of principal and interest are reported as expenditures when paid.

G. RESERVATIONS AND FUND BALANCE

Reservations of fund balance are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as long-term advances to other funds or entities and prepaid expenditures.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. PROPERTY TAXES

Hayes Township levies a millage of 0.7871 mills for general operations, 0.7871 mills for municipal street improvement, and 1.7000 mills for gypsy moth spraying.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Current and delinquent real property taxes are recorded as revenue in the year of levy. Clare County, the county in which the Township of Hayes is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are considered immaterial and are recognized as revenue in the year collected.

I. FRINGE BENEFITS

The Township's employees are covered by worker's compensation insurance and social security. Each of the elected officials and full-time employees also receive one or more of health, pension, and life insurance benefits.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level for the general fund and all special revenue funds. State law requires the Township to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on a fund level for all funds. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Rubbish Fund	220,000	220,816	816

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 3 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States; bankers acceptances of United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the Urban Cooperations Act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

At year end, the carrying value of cash and investments held by Hayes Township is as follows:

<u>Carrying Value</u>	<u>Governmental Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Petty Cash and Change Fund	\$ 250	\$ 200	\$ 450
Deposits with Financial Institutions:			
Cash in Checking	247,516	34,337	281,853
Cash in Savings	-	50	50
Total Deposits with Financial Institutions	<u>247,516</u>	<u>34,387</u>	<u>281,903</u>
Total Cash and Investments	<u>\$ 247,766</u>	<u>\$ 34,587</u>	<u>\$ 282,353</u>
<u>Deposits with Financial Institutions</u>	<u>Insured FDIC</u>	<u>Uninsured</u>	<u>Total</u>
	<u>Carrying Amounts</u>		
Cash in Checking	\$ 140,782	\$ 99,850	\$ 240,632
Cash in Savings	-	50	50
Money Market	<u>41,221</u>	<u>-</u>	<u>41,221</u>
Total Deposits	<u>\$ 182,003</u>	<u>\$ 99,900</u>	<u>\$ 281,903</u>

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	<u>Insured FDIC</u>	<u>Uninsured</u>	<u>Total</u>
	<u>Bank Balances</u>		
Cash in Checking	\$ 200,100	\$ 185,480	\$ 385,580
Cash in Savings	-	50	50
Money Market	<u>91,221</u>	<u>-</u>	<u>91,221</u>
 Total Deposits	 <u>\$ 291,321</u>	 <u>\$ 185,530</u>	 <u>\$ 476,851</u>

Due to varying cash flows, the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured at points during the year.

NOTE 4 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

The following is a listing of the interfund receivable and payable balances as of June 30, 2006:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	<u>\$ 1,300</u>

The following is a listing of interfund transfers for the year ended June 30, 2004:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	
General Fund	Rubbish Fund	\$ 39,355
General Fund	Recreation Development Capital Project	67,242
General Fund	Logan Capital Project Fund	13,114
Municipal Street Fund	Recreation Development Capital Project	86,033
Township Improvement Fund	Recreation Development Capital Project	<u>93,846</u>
		<u>\$ 299,590</u>

NOTE 5 - FUND EQUITY - RESERVED FUND BALANCE

Reservations

The Fund Balance in the General Fund has been reserved for the amounts collected on Special Assessments which are for future payments of the assessment payable to the County. The amount available for this debt at June 30, 2006 was \$23,190.

NOTE 6 - AGENCY FUND TYPE - LAKE IMPROVEMENT FUND

The property tax levies beginning in December 1985 include special assessments levied against the benefited taxpayers for the purpose of making improvements to various area lakes. The improvements are being made by the lake associations. The Township is acting as custodian for the special assessment monies (transferred from the Current Property Tax Collections Fund to the Lake Improvement Fund) until such time as they are spent by the associations.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 7 - PENSION INVESTMENT PLAN

Elected officials and full-time employees are eligible (after three months of employment) for participation in the Township's Pension Investment Plan. Contributions to the Pension Investment Plan, which is administered by Manufacturer's Life Insurance Company, are equal to 15% of the gross annual salary of each official or employee.

For the year ended June 30, 2006, the Township made its required contribution of \$30,910. The value of the plan's assets and vested benefits as of June 30, 2006 is \$226,634.

NOTE 8 - LONG-TERM DEBT

The Township has two Notes Payable with Clare County Road Commission for road projects. Debt Service is financed by a special assessment levied against property owners within the special assessment district. Revenues from special assessments and expenditures to pay bond principal and interest are reported in the General Fund. Since the cash basis of accounting is used, the liability is not recorded on the books of the Township, but is disclosed as follows:

Notes Payable outstanding at June 30, 2006 and Debt Service requirements to maturity were as follows:

Lakeview/Lansing Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>
July 24, 1996	\$ 127,900	6.00%	08/01/06	\$ 12,081
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007		\$ 724	\$ 12,081	\$ 12,805

Oak Leaf Subdivision Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
August 20, 1998	\$ 81,804	5.00%	08/01/08	\$ 27,679
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2007		1,384	8,780	10,164
2008		945	9,219	10,164
2009		484	9,680	10,164
		\$ 2,813	\$ 27,679	\$ 30,492

The Township had outstanding special assessments receivable from residents which will be collected in future years. The special assessment receivable at June 30, 2006 was \$39,161. This Special Assessment is to provide the proceeds to pay off the Notes Payable to the County Road Commission.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2006**

Statement VI

NOTE 9 - RELATED PARTY TRANSACTIONS

The Township has entered into an assessing contract with an outside assessing agency. The agency is owned and operated by a deputy Township official. The contract is calculated on a per parcel basis at \$6.00 per parcel for a total of \$35,184. As of June 30, 2006 the Township had paid the contract in full.

NOTE 10 - CHANGE IN REPORTING

The Township no longer presents a Statement of Changes in Fiduciary Net Assets, as done in prior years. As described in Note 1-C on page 16 of this report, the Township's fiduciary funds are agency fund types and, as such, are not required to report a Statement of Changes in Fiduciary Net Assets.

REQUIRED SUPPLEMENTAL INFORMATION

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GENERAL FUND
YEAR ENDED JUNE 30, 2006**

Schedule 1

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 70,537
Administrative Fee on Property Tax Collections			29,186
Summer Tax Reimbursement			14,630
Special Assessments			26,127
Licenses and Permits			3,125
Intergovernmental Revenue			371,408
Charges for Services			6,915
Interest and Dividend Earnings			22,728
Rents and Royalties			68,044
Donations - Private Sources			1,233
Other			<u>1,132</u>
 TOTAL REVENUE COLLECTED	 876,630	 618,316	 615,065
<u>EXPENDITURES PAID</u>			
Legislative			32,682
General Government			251,934
Public Safety			108,819
Public Works			162,142
Recreation and Culture			88,810
Other Functions			94,664
Debt Service			<u>45,939</u>
 TOTAL EXPENDITURES PAID	 859,900	 1,012,375	 784,990
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 16,730	 (394,059)	 (169,925)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	<u>-</u>	<u>-</u>	<u>(119,711)</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 16,730	 (394,059)	 (289,636)
 CASH BASIS FUND BALANCE - JULY 1	 <u>517,248</u>	 <u>517,248</u>	 <u>369,191</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 533,978</u>	 <u>\$ 123,189</u>	 <u>\$ 79,555</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - MUNICIPAL STREET FUND
YEAR ENDED JUNE 30, 2006**

Schedule 2

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE COLLECTED</u>			
Taxes			\$ 69,974
Interest and Dividend Earnings			<u>-</u>
 TOTAL REVENUE COLLECTED	 110,000	 70,400	 69,974
<u>EXPENDITURES PAID</u>			
Highways and Streets	<u>110,000</u>	<u>110,000</u>	<u>43,500</u>
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 -	 (39,600)	 26,474
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	<u>-</u>	<u>(86,033)</u>	<u>(86,033)</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 -	 (125,633)	 (59,559)
 CASH BASIS FUND BALANCE - JULY 1	 <u>230,867</u>	 <u>230,867</u>	 <u>201,059</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 230,867</u>	 <u>\$ 105,234</u>	 <u>\$ 141,500</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - RUBBISH FUND
YEAR ENDED JUNE 30, 2006**

Schedule 3

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
<u>REVENUE COLLECTED</u>			
Special Assessments			\$ 181,461
Interest and Dividend Earnings			<u>-</u>
 TOTAL REVENUE COLLECTED	 220,000	 220,000	 181,461
<u>EXPENDITURES PAID</u>			
Public Works	<u>220,000</u>	<u>220,000</u>	<u>220,816</u>
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 -	 -	 (39,355)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	<u>-</u>	<u>-</u>	<u>39,355</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 -	 -	 -
 CASH BASIS FUND BALANCE - JULY 1	 <u>1,215</u>	 <u>1,215</u>	 <u>-</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 1,215</u>	 <u>\$ 1,215</u>	 <u>\$ -</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GYPSY MOTH FUND
YEAR ENDED JUNE 30, 2006**

Schedule 4

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 145,529
Interest and Dividend Earnings			-
 TOTAL REVENUE COLLECTED	145,000	125,000	145,529
<u>EXPENDITURES PAID</u>			
Public Works	141,250	141,250	139,950
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	3,750	(16,250)	5,579
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	-	-	-
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	3,750	(16,250)	5,579
 CASH BASIS FUND BALANCE - JULY 1	18,352	18,352	20,852
 CASH BASIS FUND BALANCE - JUNE 30	\$ 22,102	\$ 2,102	\$ 26,431

OTHER SUPPLEMENTAL INFORMATION

**HAYES TOWNSHIP, CLARE COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2006**

Schedule 5

	<u>Capital Project Funds</u>			
	Township Improvement Fund	Logan Capital Project	TEA-21 Capital Project	Total
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ -	\$ -
<u>FUND BALANCE</u>				
Reserved				
Capital Projects	-	-	-	-
Unreserved - Undesignated	-	-	-	-
TOTAL FUND BALANCE	\$ -	\$ -	\$ -	\$ -

**HAYES TOWNSHIP, CLARE COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006**

Schedule 6

	<u>Capital Project Funds</u>			
	<u>Township Improvement Fund</u>	<u>Logan Capital Project</u>	<u>TEA-21 Capital Project</u>	<u>Total</u>
EXPENDITURES				
CONSTRUCTION	\$ -	\$ 55,282	\$ -	\$ 55,282
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out to Other Funds	(93,846)	-	-	(93,846)
Operating Transfer In from Other Funds	<u>-</u>	<u>13,114</u>	<u>-</u>	<u>13,114</u>
TOTAL OTHER FINANCING SOURCES (USES)	(93,846)	13,114	-	(80,732)
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	(93,846)	(42,168)	-	(136,014)
FUND BALANCE - JULY 1	<u>93,846</u>	<u>42,168</u>	<u>-</u>	<u>136,014</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - TOWNSHIP IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2006**

Schedule 7

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Interest and Dividend Earnings	\$ -	\$ -	\$ -
<u>EXPENDITURES PAID</u>	-	-	-
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	-	(93,846)	(93,846)
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	-	(93,846)	(93,846)
CASH BASIS FUND BALANCE - JULY 1	<u>135,260</u>	<u>135,260</u>	<u>93,846</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 135,260</u>	<u>\$ (52,432)</u>	<u>\$ -</u>

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2006

Schedule 8

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
<u>BUILDINGS AND IMPROVEMENTS</u>				
<u>Township Hall</u>				
1973 Remodeling	\$ 17,000	\$ -	\$ -	\$ 17,000
Additions and Improvements	42,936	-	-	42,936
Land Improvements	23,909	-	-	23,909
Total Township Hall	83,845	-	-	83,845
<u>Community Building</u>				
Building	134,613	-	-	134,613
Additions and Improvements	37,014	-	-	37,014
Land Improvements	24,201	-	-	24,201
Total Community Building	195,828	-	-	195,828
<u>Civic Center</u>				
Building	124,564	-	-	124,564
Additions and Improvements	79,538	-	-	79,538
Land Improvements	28,489	-	-	28,489
Total Civic Center	232,591	-	-	232,591
<u>Cemetery Storage Building</u>				
Building	3,082	-	-	3,082
Gazebo	746	-	-	746
Additions and Improvements	665	-	-	665
Total Cemetery Storage Building	4,493	-	-	4,493
<u>Park Storage Building</u>				
Building	6,151	-	-	6,151
Pavilion	16,500	-	-	16,500
Outhouse	3,300	-	-	3,300
Additions and Improvements	229	-	-	229
Land Improvements	14,004	-	-	14,004
Total Park Storage Building	40,184	-	-	40,184
TOTAL BUILDINGS AND IMPROVEMENTS	556,941	-	-	556,941
<u>LAND AND IMPROVEMENTS</u>				
Paul R. Clark Memorial Park	30,591	-	-	30,591
Park Land and Improvements	7,472	-	-	7,472
Civic Center Land	39,600	-	-	39,600
Sutherland Lake Land	2,800	-	-	2,800
Future Expansion Land	74,024	-	-	74,024
TOTAL LAND AND IMPROVEMENTS	154,487	-	-	154,487

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2006

Schedule 8

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
<u>EQUIPMENT</u>				
Cemetery Equipment	\$ 10,143	\$ -	\$ -	\$ 10,143
Voting Machines	2,600	-	-	2,600
Safe	300	-	-	300
File Cabinets	5,107	-	-	5,107
Typewriters	2,863	-	-	2,863
Lawn Mowers	835	-	-	835
Riding Lawn Mowers	850	-	-	850
Grass Trimmer	130	-	-	130
Copiers	9,401	-	-	9,401
Desks	552	-	-	552
Property Card Assessment System	50,480	-	-	50,480
Calculators	1,149	-	-	1,149
Stacking Chairs and Chair Trucks	7,367	-	-	7,367
Cleaning Equipment	4,509	-	-	4,509
Floor Machine	510	-	-	510
Kitchen Equipment	4,966	-	-	4,966
Coat Racks	303	-	-	303
Registration Books	750	-	-	750
Folding Tables	1,587	-	-	1,587
Office Chairs	371	-	-	371
Storage Cabinet	438	-	-	438
Community Center Equipment	22,955	-	-	22,955
Fans	580	-	-	580
Typing Table	71	-	-	71
Park Equipment	17,604	-	-	17,604
Neighborhood Watch Signs	1,263	-	-	1,263
Postage Machine	8,980	-	-	8,980
Message Board	1,497	-	-	1,497
Sports Equipment	10,229	-	-	10,229
Office Equipment	784	-	-	784
Wooden Ladder	285	-	-	285
Snow Blower	1,620	-	-	1,620
Chain Saw	175	-	-	175
Refrigerators	2,418	-	-	2,418
Computer Hardware/Software	96,827	-	-	96,827
Wheelbarrow	60	-	-	60
Telephone System	3,909	-	-	3,909
Barrel Stove	150	-	-	150
Blood Pressure Cuff	27	-	-	27
1980 GMC Pickup	-	-	-	-
Water Coolers	1,100	-	-	1,100
Miscellaneous Equipment	8,034	-	-	8,034
Playground Equipment	7,017	-	-	7,017
1990 Chevrolet Truck/Dumpbox and Snowplow	12,811	-	-	12,811
Frost Remover	630	-	-	630

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2006

Schedule 8

	Balance 7/1/2005	Additions	Deletions	Balance 6/30/2006
<u>EQUIPMENT</u> (Continued)				
Trailer	\$ 900	\$ -	\$ -	\$ 900
1999 Jeep Cherokee	9,200	-	-	9,200
2003 Chevy Silverado	28,565	-	-	28,565
John Deere Tractor	19,216	-	-	19,216
Computer Server and Software	6,220	-	-	6,220
Exercise Equipment	5,000	-	-	5,000
Marksman Carpet Cleaner	1,875	-	-	1,875
20 Hp Tractor	<u>2,239</u>	<u>-</u>	<u>-</u>	<u>2,239</u>
 TOTAL EQUIPMENT	 <u>377,452</u>	 <u>-</u>	 <u>-</u>	 <u>377,452</u>
 TOTAL GENERAL FIXED ASSETS	 <u>\$ 1,088,880</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,088,880</u>

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2006 AND 2005

	Schedule 9	
	<u>2006</u>	<u>2005</u>
<u>LEGISLATIVE</u>		
Township Board		
Fees and Per Diem	\$ 3,830	\$ 3,830
Comp in Lieu	16,061	7,780
Office Supplies and Postage	10,126	1,095
Memberships and Dues	2,213	2,261
Equipment Rental	310	257
Miscellaneous	142	-
	<hr/>	<hr/>
TOTAL LEGISLATIVE	32,682	15,223
<u>GENERAL GOVERNMENT</u>		
Supervisor		
Salaries and Wages	21,823	24,066
Comp in Lieu	8,030	6,668
Office Supplies and Postage	198	326
Education and Training	495	255
Contracted Services	201	1,679
Repairs and Maintenance	-	91
Transportation	21	-
Capital Outlay	288	75
	<hr/>	<hr/>
Total Supervisor	31,056	33,160
Elections		
Salaries and Wages	-	4,341
Operating Supplies	326	79
Printing and Publishing	-	91
Capital Outlay	590	267
	<hr/>	<hr/>
Total Elections	916	4,778
Independent Accounting and Auditing		
Auditing Fees	4,833	5,410
Assessor		
Office Supplies	1,553	2,266
Postage	1,630	2,838
Contracted Services	36,434	36,868
Transportation	34	46
Printing and Publishing	40	-
Education and Training	305	75
Repairs and Maintenance	-	50
Capital Outlay	116	193
	<hr/>	<hr/>
Total Assessor	40,112	42,336
Attorney		
Legal Fees	7,887	3,185

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2006 AND 2005

	Schedule 9	
	<u>2006</u>	<u>2005</u>
<u>GENERAL GOVERNMENT</u> (Continued)		
Clerk		
Salaries and Wages	\$ 16,518	\$ 16,518
Salaries and Wages - Deputy Clerk	9,816	9,522
Comp in Lieu	15,400	12,225
Holiday/Vacation	1,262	500
Postage	1,242	1,301
Operating Supplies	946	990
Education and Training	562	275
Repairs and Maintenance	67	109
Contracted Services	245	5,848
Capital Outlay	-	831
Printing and Publishing	1,210	841
Miscellaneous	195	48
Total Clerk	47,463	49,008
Board of Review		
Fees and Per Diem	730	921
Treasurer		
Salaries and Wages	29,734	29,734
Salaries and Wages - Deputy Treasurer	13,901	9,874
Comp in Lieu	16,061	13,336
Holiday/Vacation	826	660
Postage	5,963	6,551
Operating Supplies	2,826	2,499
Education & Training	52	190
Contracted Services	1,643	3,475
Repairs and Maintenance	-	88
Capital Outlay	385	956
Printing and Publishing	39	-
Miscellaneous	-	22
Total Treasurer	71,430	67,385
Building and Grounds		
Salaries and Wages	22,090	22,585
Holiday/Vacation	477	953
Operating Supplies	3,135	2,224
Contractual Services	695	246
Communications	4,580	5,001
Public Utilities	3,586	2,824
Capital Outlay	936	-
Memberships and Dues	208	224
Repairs and Maintenance	3,199	2,744
Miscellaneous	32	-
Total Building and Grounds	38,938	36,801

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2006 AND 2005

	Schedule 9	
	<u>2006</u>	<u>2005</u>
<u>GENERAL GOVERNMENT</u> (Continued)		
Cemetery		
Salaries and Wages	\$ 7,986	\$ 11,744
Operating Supplies	132	228
Contractual Services	24	-
Capital Outlay	153	-
Repairs and Maintenance	<u>274</u>	<u>444</u>
Total Cemetery	<u>8,569</u>	<u>12,416</u>
TOTAL GENERAL GOVERNMENT	251,934	255,400
 <u>PUBLIC SAFETY</u>		
Fire Protection		
Contractual Services	60,384	59,724
Constable		
Contractual Services	28,760	-
Zoning Administration		
Salaries and Wages	11,967	13,376
Supplies	39	79
Contracted Services	<u>5,115</u>	<u>4,965</u>
Total Zoning Administration	17,121	18,420
Zoning Board of Appeals		
Salaries and Wages	900	1,345
Printing and Publishing	<u>172</u>	<u>190</u>
Total Zoning Board of Appeals	1,072	1,535
Planning Commission		
Salaries and Wages	1,355	2,760
Office Supplies	34	32
Printing and Publishing	<u>93</u>	<u>180</u>
Total Planning Commission	<u>1,482</u>	<u>2,972</u>
TOTAL PUBLIC SAFETY	108,819	82,651
 <u>PUBLIC WORKS</u>		
Highways and Streets		
Contracted Services	46,268	78,411
Street Lighting		
Public Utilities	954	928
Sanitation		
Contracted Services	<u>114,920</u>	<u>111,181</u>
TOTAL PUBLIC WORKS	162,142	190,520

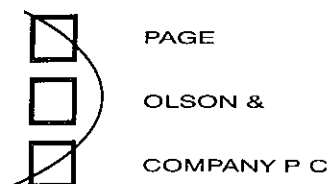
HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2006 AND 2005

	Schedule 9	
	<u>2006</u>	<u>2005</u>
<u>RECREATION AND CULTURE</u>		
Parks and Recreation		
Salaries and Wages	\$ 6,823	\$ 6,287
Repairs and Maintenance	334	173
Communications	307	268
Public Utilities	<u>426</u>	<u>427</u>
Total Parks and Recreation	7,890	7,155
Library		
Contracted Services	23,351	22,122
Community Building		
Salaries and Wages	-	373
Operating Supplies	1,335	464
Contractual Services	242	-
Communications	703	715
Public Utilities	13,621	11,289
Repairs and Maintenance	1,307	3,280
Miscellaneous	-	6
Capital Outlay	<u>53</u>	<u>10,261</u>
Total Community Building	17,261	26,388
Civic Center		
Salaries and Wages	14,407	18,152
Comp in Lieu	4,728	6,668
Holiday/Vacation	1,221	1,052
Operating Supplies	2,754	1,797
Contracted Services	120	43
Communications	448	435
Printing and Publishing	391	379
Public Utilities	12,743	10,728
Repairs and Maintenance	1,336	1,849
Capital Outlay	<u>660</u>	<u>1,176</u>
Total Civic Center	38,808	42,279
Facilities and Program		
Salaries and Wages	<u>1,500</u>	<u>-</u>
TOTAL RECREATION AND CULTURE	88,810	97,944

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2006 AND 2005

Schedule 9

	<u>2006</u>	<u>2005</u>
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security - Township's Share	\$ 17,283	\$ 17,067
Life Insurance	1,546	1,406
Hospitalization	30,114	24,840
Pension Plan Contributions	30,910	35,204
Unemployment Expense	50	59
Fringe Benefits	13,023	12,796
Officials Bonds	<u>1,738</u>	<u>1,849</u>
TOTAL OTHER FUNCTIONS	94,664	93,221
<u>DEBT SERVICE</u>		
Debt Payments		
Principal Payments	38,474	18,716
Interest Payments	<u>7,465</u>	<u>4,254</u>
TOTAL DEBT SERVICE	<u>45,939</u>	<u>22,970</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 784,990</u>	<u>\$ 757,929</u>



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

September 28, 2006

Township Board
Hayes Township
Clare County, Michigan

We have recently completed our audit of the financial statements of Hayes Township, Clare County for the year ended June 30, 2006. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

We conducted our audit of the financial statements of Hayes Township in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Hayes Township
Clare County, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to the implementation of GASB 34 is discussed further in the Other Communications Section.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

Audit adjustments necessary to reclassify some transactions were made to the Township's records, and copies of these adjustments were forwarded to the Township clerk.

The Township elected to do a full implementation of the GASB 34 reporting format while continuing to use the cash basis of accounting. Therefore the Management's Discussion and Analysis, government-wide statements and budgetary comparison schedules for each major fund have been included in the financial statements. Since the Township has remained cash basis, capital assets and long term debt are not reported on the statement of net assets.

Township Board
Hayes Township
Clare County, Michigan

COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/ EFFICIENCY

In planning and performing our audit of the financial statements of Hayes Township, for the year ended June 30, 2006, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

Other Reportable Conditions

APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

Copies of the originally approved budget must be attached to the minutes and copies of each revised budget should be retained in order to properly trace the amendments.

The approved budget does not separate expenditures by function (Township Board, Clerk, Treasurer, Planning & Zoning, etc), the budget is approved at the fund level. It would allow for greater oversight if the budget were approved at the function level as that is the level of presentation recommended by the State of Michigan.

CASH

There were five instances that were noted during cash testing where a check written by the Township was returned because the check had only one signature. The Township requires that two signatories sign checks before disbursements are made. It is important that internal control procedures are followed at all times to ensure that documentation and disbursements are properly approved before transactions are made.

Township Board
Hayes Township
Clare County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/
EFFICIENCY (CONTINUED)**

Other Reportable Conditions (Continued)

FINANCIAL OVERSIGHT

The general limitations in a smaller government require that the Township Board Members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

SUMMARY

We thank the Township personnel for their time and effort given to us during the audit. We look forward to serving the Township in the future as its independent auditor or in any other capacity needed. The conditions mentioned above were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated September 28, 2006.

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